

AGENDA 10, Enc vi)

Audit
Agenda.

**Peter Basnett
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5 May 2016

Mr R Whinney
Town Clerk
Prudhoe Town Council
Second Floor Unit. R2.06
The Spetchells Centre
Prudhoe
58 Front Street
Northumberland
NE42 5AA

Dear Richard,

Prudhoe Town Council - Internal Audit 2015/2016 financial year

I have completed the internal audit of the Town Council's accounts for the 2015/2016 financial year.

I enclose my assessment of the Council's internal controls and my audit checklist giving details of the work carried out.

I have completed the internal audit section of the external audit return.

There are no queries arising from the audit and there are no matters to draw to the attention of the members of the Town Council

I certify that I have completed the audit of the summary accounts and associated accounting notes of Prudhoe Town Council which have been prepared by the Responsible Financial Officer.

The audit included examination of evidence relevant to the amounts and disclosures in the summary accounts and notes, sufficient to give reasonable assurance that the summary accounts and notes are free from material misstatement.

In my opinion the summary account presents fairly the income and expenditure of Prudhoe Town Council for the year ended 31 March 2016.

I enclose my invoice for the work done.

Should the Town Council wish to retain my services I suggest that, as usual, an interim audit is carried out after the end of the half year.

Yours sincerely,

Peter Bassett

ASSESSMENT OF INTERNAL CONTROL

I provided an internal audit service for Prudhoe Town Council for the financial year ended 31 March 2016 and, acting independently; I examined the system of internal control by undertaking the following tests and reported my findings to the Council.

		Test Done Yes or No
1	Checking that books of account have been properly kept throughout the year	Yes
2	Checking payments to ensure that the Council's financial regulations have been met, invoices support payments, expenditure is approved and VAT is correctly accounted for.	Yes
3	Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks	Yes
4	Verifying that the annual precept request is the result of a proper budgetary process; that the budget process has been regularly monitored and that the Council's reserves are adequate.	Yes
5	Checking income records to ensure that correct prices have been charged, income received, recorded and promptly banked and VAT is correctly accounted for.	Yes
6	Reviewing petty cash records to ensure receipts support payments, expenditure is approved and VAT is correctly accounted for.	No petty cash imprest held
7	Checking that salaries to employees have been paid out in accordance with Council approvals and that PAYE and NI requirements have been properly applied.	Yes
8	Checking the accuracy of the assets and investment registers.	Yes
9	Testing the accuracy and timeliness of periodic and year-end bank account reconciliations.	Yes
10	Year-end testing on the accuracy and completeness of the financial statements	Yes

On the basis of my examination, which is limited to the tests indicated above, in my view the Council's system of internal controls is in place, adequate for the purpose intended, and effective, and, where appropriate I have made recommendations to the Council.

Signed (Internal Auditor)	<i>P. Basnett</i>	Date <i>5 May 2016</i>
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Name	Peter Basnett Audit Services
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2015/2016 AUDIT CHECKLIST

INTERNAL CONTROL	TESTS	YES/NO
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced? 	<p>Yes</p> <p>Yes</p> <p>Yes</p>
<p>A] Standing Orders and Financial Regulations adopted and applied and</p> <p>B] Payment controls</p>	<ul style="list-style-type: none"> • Has the Council formally adopted standing orders? • Has the Council formally adopted financial regulations? • Has a Responsible Financial Officer been appointed with specified duties? • Have items or services above a de minimis amount been competitively purchased? • Are payments in the cashbook supported by invoices, authorised and minuted? • Has VAT on payments (including petty cash payments) been identified, recorded and reclaimed? • Is Section 137 expenditure separately recorded and within statutory limits? 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
Risk Management arrangements	<ul style="list-style-type: none"> • Does a scan of the minutes identify any unusual financial activity? • Do the minutes record the Council carrying out an annual risk assessment? • Is the insurance cover appropriate and adequate? • Are internal financial controls documented and regularly reviewed? via Financial Regulations & Standing Orders 	<p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
Budgetary controls	<ul style="list-style-type: none"> • Has the Council prepared an annual budget in support of its precept? • Is actual expenditure against the budget regularly reported to the Council? • Are there any significant unexplained variances from budget? 	<p>Yes</p> <p>Yes</p> <p>No</p>

Income controls	<ul style="list-style-type: none"> • Is the income properly recorded and promptly banked? • Does the precept recorded in the cashbook agree to the County Council's notification? • Are security controls over cash adequate and effective? 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p>
Petty cash procedures	<ul style="list-style-type: none"> • Is all petty cash spent recorded and supported by VAT invoices/receipts? • Is petty cash expenditure reported to each Council meeting? • Is petty cash reimbursement carried out regularly? 	<p style="text-align: center;">No petty cash imprest held</p>
Payroll controls	<ul style="list-style-type: none"> • Do salaries paid agree with those approved by the Council? • Are other payments to the Clerk reasonable and approved by the Council? • Has PAYE/NIC been properly operated by the Council as an employer? 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p>
Assets controls	<ul style="list-style-type: none"> • Does the Council keep an asset register of all material assets owned? 	<p style="text-align: center;">Yes</p>
Bank reconciliation	<ul style="list-style-type: none"> • Is there a bank reconciliation for each account? • Is bank reconciliation carried out regularly on receipt of statements? • Are there any unexplained balancing entries in any reconciliation? 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">No</p>
Year-end procedures	<ul style="list-style-type: none"> • Are year-end accounts prepared on the correct accounting basis [receipts and payments/income and expenditure]? • Do accounts agree with the cashbook? • Is there an audit trail underlying financial records to the accounts? • Where appropriate, have debtors and creditors been properly recorded? 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p>